

Message Text

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ORIGIN AGRE-00

INFO OCT-01 EA-07 ISO-00 EB-08 /016 R

DRAFTED BY AGRIC:FAS:FCA:G&F:DJNOVOTNY:DE
APPROVED BY EA/PRCM: H E T THAYER
FAS:BKMEEKER
AO:ETRANSOM
AGRIC:ERBEVIS
FAS/AA: W HORBALY

-----051831Z 070413 /46

P R 051726Z APR 77
FM SECSTATE WASHDC
TO USLO PEKING PRIORITY
INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: EAGR, CH US

SUBJECT: U.S.-PRC WHEAT TRADE

1. FOLLOWING FOR YOUR INFORMATION AND BACKGROUND.
2. AS OF MARCH 30, USDA/APHIS, WHO IN 1974/75 PROVIDED SHIPPERS WITH TCK CERTIFICATION SERVICE, HAVE HAD NO CONTACT FROM SHIPPERS NOR ANY INDICATION WHATSOEVER OF RENEWED INTEREST IN PROVIDING THE TCK CERTIFICATION SERVICE. THIS EITHER INDICATES THAT SHIPPERS ARE GIVING NO CONSIDERATION TO OFFERING U.S. WHEAT TO PRC OR, IF THEY ARE, THEY HOPE TO OBTAIN NEW TERMS WHEREBY GOVERNMENT CERTIFICATION WOULD NOT BE NEEDED. WE DO, HOWEVER, HAVE REASON TO BELIEVE THAT CHINESE BUYING AGENCY HAS RECENTLY GIVEN AT LEAST INDIRECT INDICATION SUPPLY OF U.S. WHEAT WOULD BE ACCEPT-

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ABLE PROVIDING TCK COULD SOMEHOW BE DEALT WITH.

3. FROM OUR UNDERSTANDING OF THE CONCLUDING PHASE OF THE 1974/75 SHIPMENTS, CERTIFICATION PROCESS USED HERE BECAME VERY CUMBERSOME FOR BOTH SHIPPERS AND CERTIFICATION AGENCY, AND WE HAVE STRONG IMPRESSION THAT SHIPPERS WOULD NOT AGAIN AGREE TO SUPPLY UNDER THOSE CONDITIONS. IT IS

IMPORTANT TO RECALL THAT IN THE FINAL PHASE OF 1974/75, CHINESE DID IN PRINCIPLE UNDERTAKE TO ACCEPT WHEAT THAT, UPON ARRIVAL, WAS FOUND CONTAMINATED, PROVIDED THAT SUCH WHEAT HAD, AT TIME OF LOADING, BEEN SUBJECTED TO SAMPLE SCRUTINY OF APPROXIMATELY EQUAL STRINGENCY TO THAT BEING APPLIED BY CHINESE AUTHORITIES, AND THAT SUCH EXAMINATION HAD REVEALED NO TCK PRESENCE, I.E., NOT ONE SPORE. IN OTHER WORDS, THEY RECOGNIZED THAT THE DIFFICULT PROCEDURE WOULD RESULT IN A SUBSTANTIAL MARGIN OF ERROR, WHICH IN TURN WOULD MEAN OCCASIONAL POSITIVE FINDINGS AT POINT OF ARRIVAL EVEN THOUGH FINDINGS UPON LOADING HAD BEEN NEGATIVE. THEY NOT ONLY ACCEPTED THIS LEGALLY AND IN PRINCIPLE, BUT IT IS VIRTUALLY CERTAIN THAT OF THE 50 OR MORE SHIPMENTS WHICH TOOK PLACE AFTER THE INSPECTION PROCEDURE WAS INITIATED, AT LEAST A FEW WERE FOUND CONTAMINATED ON ARRIVAL SIDE. THERE HAD, IN FACT, BEEN A FEW FOUND ON THE LOADING SIDE, BUT THESE, OF COURSE, DID NOT PROCEED TO CHINA. WE HAVE NEVER CONFIRMED WITH SHIPPERS HOW MANY OF THOSE 50 SHIPMENTS WERE FOUND CONTAMINATED UPON ARRIVAL, BUT WE SUSPECT THAT THERE WERE A FEW AND THAT THE MATTER WAS DISPOSED OF BY PRC ASSESSING A TREATMENT CHARGE.

4. CONTACT WITH DR. HOFFMAN OF ARS/UTAH TODAY INDICATES NO RECENT INTEREST IN TCK MATTER BY SHIPPERS TO HIS KNOWLEDGE. AGAIN, THIS SIMPLY INDICATES THAT SHIPPERS' EFFORTS, IF ANY, ARE LIMITED TO IN HOUSE ANALYSIS, OR THAT THEY WON'T EVEN TOUCH THE MATTER OR THAT THEY ARE HOPEFUL THAT THE CHINESE WOULD ULTIMATELY ACCEPT U.S. LIMITED OFFICIAL USE

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WHEAT, TCK INCLUDED. DR. HOFFMAN REPORTED THAT PROGRESS IS BEING MADE IN A NUMBER OF AREAS, SUCH AS IMPROVING THE IDENTIFICATION PROCESS, THE DEVELOPMENT OF RESISTANT VARIETIES, AND THE IMPROVEMENT OF KNOWLEDGE ABOUT EFFECTED PRODUCING AREAS, INCIDENCE, ETC. INTERESTINGLY, HE SAYS THAT IT CAN NOW BE CONFIRMED THAT SPORES ARE IMPOSSIBLE TO KILL WITH HEAT TREATMENT; DURING THE 1973/74 AND 1974/75 PERIOD, CHINESE TOLD US THAT THEY FOUND THE HEAT TREATMENT FAIRLY EFFECTIVE AND THAT THIS WAS WHAT THEY WERE USING.

5. PERHAPS THE MOST RELEVANT BACKGROUND, WHICH HOPEFULLY LIAISON OFFICE CAN USE, IS THAT DR. HOFFMAN REPORTED THAT WINTER CONDITIONS FOR THE 1976 CROP AND FOR THE 1977 CROP HAVE BOTH BEEN HIGHLY UNFAVORABLE FOR THE INCIDENCE OF TCK IN THE TRADITIONAL NORTHWEST AREA. ON THE OTHER HAND, NORTHEASTERN USA HAS HAD MORE SNOW THAN USUAL THIS YEAR, SO SOFT WHEAT FROM THAT REGION COULD HAVE HIGHER INCIDENCE THAN THE 1977 CROP. DR. HOFFMAN POINTED OUT

THAT THE 1972-74 PERIOD HAD BEEN UNUSUALLY FAVORABLE FOR TCK IN THE NORTHWEST, WITH ABUNDANT SNOW, ETC.

6. IN THE 12 MONTHS BEFORE APHIS BEGAN THE MICROSCOPIC EXAMINATION FOR TCK ON U.S. SIDE, 144 VESSELS DELIVERED WHEAT TO CHINA. TO OUR KNOWLEDGE, AND ACCORDING TO SHIPPERS' ADVICE, OF THE 74 VESSELS LOADED AT GULF PORTS, TCK WAS FOUND BY CHINESE IN ONLY FOUR. OF 18 LOADED AT GREAT LAKES, ST. LAWRENCE, AND EAST COAST PORTS, TCK WAS FOUND IN 2 HALF-CARGO LOTS. FINALLY, 52 VESSELS LOADED AT WEST COAST PORTS OF WHICH 29 WERE FOUND TO HAVE TCK.

AFTER THE MICROSCOPIC EXAMINATION BEGAN, APHIS FOUND SAMPLES FROM 52 VESSELS FREE OF TCK (2 CORPUS CHRISTI, 3 HOUSTON, 22 NEW ORLEANS, 4 MOBILE, 6 NORFOLK, 7 PHILADELPHIA, 5 1/2 BALTIMORE, 1/2 TOLEDO, AND 1 EACH FROM CHARLE-

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STON, PORT ARTHUR AND BATON ROUGE). THESE VESSELS CARRIED ABOUT 1.5 MILLION TONS OF WHEAT (1.3 MILLION TONS SRW AND 210,000 TONS HRW) TO CHINA. THE CHINESE ARE BELIEVED TO HAVE FOUND TRACES OF TCK IN 3 VESSELS, ALL OF WHICH LOADED AT BALTIMORE, AND TRACES OF LILIUM TILLEN-TIUM (LTL) IN 1 CARGO OF HRW LOADED AT CORPUS CHRISTI. THESE VESSELS WERE DIVERTED TO OTHER DESTINATIONS, AND IT IS THIS PART OF THE 1973-75 EXPERIENCE THAT MAKES RESUMPTION AT THIS STAGE VERY DIFFICULT UNLESS CONTRACT AND EXAMINATION REQUIREMENTS CHANGE.

7. THE FINE REPORT OF NEELEY'S TRIP TO CHANGSHA EXPECIALLY TIMELY DUE TO THE GREAT INTEREST IN THE CURRENT DROUGHT SITUATION IN NORTH CHINA. NOTED WITH SPECIAL INTEREST THAT YOUR ROUTE WAS GENERALLY THROUGH PARTS OF NORTH CHINA WITH MUCH HIGHER PERCENTAGE OF FIELDS UNDER IRRIGATION THAN AREAS TO THE EAST. ALSO NOTED WHEAT SEEMED TO BE IN GENERALLY GOOD CONDITION IN IRRIGATED FIELDS, BUT WAS SHOWING SIGHS OF STRESS IN NON-IRRIGATED FIELDS.

8. MARCH 31 WEEKLY SALES REPORT ANNOUNCED NEW OPTION-ORIGIN COMMITMENT OF 200,000 TONS OF SOYBEANS FOR 1976/77 DELIVERY AND AN ADDITIONAL 190,000 TONS FOR EARLY 1977/78 DELIVERY. PRESUMABLY BEANS WILL BE EITHER BRAZILIAN OR US. THE SALE WAS PROBABLY MORE IMPORTANT FOR THE FACT THAT THE CHINESE HAVE DROPPED THE "EXCLUDING-US" CLAUSE FROM OPTIONAL ORIGIN CONTRACTS THAN FOR THE QUANTITIES INVOLVED. WOULD BE MOST INTERESTED IN ANY INFORMATION YOU MIGHT HAVE CONCERNING CHINA'S REQUIREMENTS FOR SOYBEAN OIL AND SOYBEAN AT THIS TIME.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, TRADE
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE075459
Document Source: CORE
Document Unique ID: 00
Drafter: FAS:FCA:G
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770118-0638
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770486/aaaacwvz.tel
Line Count: 170
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5311efa9-c288-dd11-92da-001cc4696bcc
Office: ORIGIN AGRE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2891481
Secure: OPEN
Status: NATIVE
Subject: U.S.-PRC WHEAT TRADE
TAGS: EAGR, ETRD, CH, US
To: PEKING
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/5311efa9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009